

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

JUNE 30, 2012

FINANCIAL STATEMENTS


Hospital Service District No. 1
Parish of Avoyelles
Bunkie, Louisiana

June 30, 2012

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The Hospital has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.



LANGLIAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

November 19, 2012



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Avoyelles, State of Louisiana, a component unit of the Avoyelles Parish Police Jury, State of Louisiana ("the Hospital"), as of June 30, 2012 and 2011, and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of the United States and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 1, Parish of Avoyelles, State of Louisiana, at June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information indicated on the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT OF NET ASSETS

JUNE 30,

ASSETS

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash and Cash Equivalents | \$ 1,837,934 | \$ 2,060,434 |
| Accounts receivables, less allowance for doubtful accounts of \$2,694,055 in 2011 and \$2,547,235 in 2011 | 1,557,470 | 1,661,115 |
| Due from Third Party Payors | 777,824 | 83,943 |
| Other Receivables | 59,780 | 112,910 |
| Inventories | 289,056 | 284,296 |
| Prepaid Expenses | 14,404 | 29,094 |
| | <u>4,536,468</u> | <u>4,231,792</u> |
| Total Current Assets | | |
| | <u>4,536,468</u> | <u>4,231,792</u> |
| ASSETS WHOSE USE IS LIMITED: | | |
| By Bond Indenture | 114,976 | 106,021 |
| By Board | 23,604 | 23,604 |
| | <u>138,580</u> | <u>129,625</u> |
| Total Assets Whose Use is Limited | | |
| | <u>138,580</u> | <u>129,625</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Property, Plant and Equipment Cost | 8,566,341 | 8,041,683 |
| Less: Accumulated Depreciation | 5,066,000 | 4,702,450 |
| | <u>3,500,341</u> | <u>3,339,233</u> |
| Total Property, Plant and Equipment | | |
| | <u>3,500,341</u> | <u>3,339,233</u> |
| TOTAL ASSETS | <u>\$ 8,175,389</u> | <u>\$ 7,700,650</u> |

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

STATEMENT OF NET ASSETS

JUNE 30,

LIABILITIES AND NET ASSETS

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | \$ 179,504 | \$ 108,920 |
| Accounts payable | 542,211 | 477,436 |
| Due to third party payors | 104,854 | 482,819 |
| Credit balances | 110,400 | 90,257 |
| Interest payable | 10,673 | 11,394 |
| Accrued salaries and related withholdings | 211,097 | 170,174 |
| Accrued vacation and holiday expense | 202,547 | 200,269 |
| Total Current Liabilities | <u>1,361,286</u> | <u>1,541,269</u> |
| LONG-TERM LIABILITIES: | | |
| Long-Term Debt: | | |
| USDA Revenue Bonds 2004 | 714,903 | 765,316 |
| Rural health building | 102,489 | 120,432 |
| Note payable - GE CT Scan | 237,422 | - |
| Note payable - GE Ultrasound | 72,090 | 100,926 |
| Note payable - Baytree | 36,064 | 50,490 |
| Total Long-Term Liabilities | <u>1,162,968</u> | <u>1,037,164</u> |
| TOTAL LIABILITIES | <u>2,524,254</u> | <u>2,578,433</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 2,157,869 | 2,193,149 |
| Restricted net assets (expendable) | 138,580 | 129,625 |
| Unrestricted | 3,354,686 | 2,799,443 |
| TOTAL NET ASSETS | <u>5,651,135</u> | <u>5,122,217</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 8,175,389</u> | <u>\$ 7,700,650</u> |

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS **FOR THE YEARS ENDED JUNE 30,**

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Net Patient Service Revenues | \$ 12,835,259 | \$ 13,084,268 |
| Advalorem Taxes | 88,102 | 85,706 |
| Other Operating Revenue | 463,976 | 488,137 |
| TOTAL OPERATING REVENUE | <u>13,387,337</u> | <u>13,658,111</u> |
| OPERATING EXPENSES: | | |
| Professional Services | 7,662,544 | 7,958,693 |
| General and Administrative | 4,255,591 | 3,992,247 |
| Depreciation and Amortization | 533,549 | 537,062 |
| Provision for Doubtful Accounts | 1,667,520 | 1,609,776 |
| TOTAL OPERATING EXPENSES | <u>14,119,204</u> | <u>14,097,778</u> |
| LOSS FROM OPERATIONS | <u>(731,867)</u> | <u>(439,667)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Grant Revenue | 1,321,005 | 782,363 |
| Interest Income | 9,133 | 4,575 |
| Interest Expense | (45,948) | (43,037) |
| Gain (Loss) on Sale of Assets | <u>(23,405)</u> | <u>954</u> |
| TOTAL NON-OPERATING REVENUES | <u>1,260,785</u> | <u>744,855</u> |
| CHANGE IN NET ASSETS | <u>528,918</u> | <u>305,188</u> |
| TOTAL NET ASSETS, BEGINNING | <u>5,122,217</u> | <u>4,817,029</u> |
| TOTAL NET ASSETS, ENDING | <u>\$ 5,651,135</u> | <u>\$ 5,122,217</u> |

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash Received from Patients | \$ 12,111,350 | \$ 13,326,653 |
| Ad Valorem Taxes | 88,102 | 85,706 |
| Cash Received from Other Sources | 248,263 | 322,929 |
| Cash Payments to Suppliers for Goods and Services | (8,670,080) | (8,958,727) |
| Cash Payments to Employees for Services | (4,799,114) | (4,757,686) |
| Net Cash Flow Provided By Operating Activities | <u>(1,021,479)</u> | <u>18,875</u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES: | | |
| Acquisition of Property and Equipment | (718,061) | (539,717) |
| Proceeds from Grant Revenue | 1,365,701 | 819,793 |
| Proceeds from the Sale of Assets | - | 3,000 |
| Proceeds from Long-term Debt | 344,463 | 216,308 |
| Principal payments on Long-term Debt | <u>(148,075)</u> | <u>(105,032)</u> |
| Net Cash Provided By Capital and Related Financial Activities | <u>844,029</u> | <u>394,352</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest Income | 9,133 | 4,575 |
| Interest Expense | <u>(45,228)</u> | <u>(43,037)</u> |
| Net Cash Provided by Financing Activities | <u>(36,095)</u> | <u>(38,462)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (213,545) | 374,765 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>2,190,059</u> | <u>1,815,294</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,976,514</u> | <u>\$ 2,190,059</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating Income (Loss) | (755,998) | (439,667) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and Amortization | 533,549 | 537,062 |
| Provision for Doubtful Accounts | 1,667,520 | 1,609,776 |
| Increase in Receivables and Due from Third Parties | (2,607,140) | (1,532,599) |
| Loss (Gain) on Sale of Assets | 23,405 | (954) |
| Decrease (Increase) in Inventories and Prepaid Expenses | 9,930 | (10,247) |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | <u>107,255</u> | <u>(144,496)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ (1,021,479)</u> | <u>\$ 18,875</u> |

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Avoyelles Parish Hospital Service District No. 1, d/b/a Bunkie General Hospital (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Avoyelles Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Avoyelles Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the governmental units that comprise that financial reporting entity.

Method of Accounting. The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20 (GASB Cod. Sec. P80), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA, *Audit and Accounting Guide - Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Enterprise Fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Cash and Cash Equivalents. Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

Inventory. Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years. Equipment under capital lease is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Net Assets. Net assets represent the difference between assets and liabilities. Net assets classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital, net of related debt excludes unspent debt proceeds.

Restricted Net Assets are reported as restricted when there are limitations imposed on their use either through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Codification Section I50 "Investments". Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

Net Patient Service Revenue and Related Receivables. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined. The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

accounts and contracts, and by providing appropriate allowances. Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences included as a component of accrued salaries and benefits on the Hospital's Statement of Net Assets was \$202,547 and \$200,269 for 2012 and 2011, respectively.

Advalorem Taxes. Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

Grants and Contributions. From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating Revenues and Expenses. The Hospital's Statement of Revenues, Expenses and Changes in Net Assets distinguishes between operating and non-operating revenues and expenses. Revenues are considered available in the period earned as expenses are considered payable in the period incurred. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

Environmental Matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 74% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs for the years ended June 30, 2012 and 2011, respectively. Included in net patient services is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$450,692 and \$407,872 for 2012 and 2011, respectively. This amount is subject to audit by the State of Louisiana.

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews. The Hospital files a year end cost report with Medicare to determine final settlement. This cost report is subject to audit by the Medical fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 3: NET PATIENT SERVICE REVENUE (cont)

The following schedule represents Net Patient Service Revenue:

| | <u>2012</u> | <u>2011</u> |
|---|----------------------------|----------------------------|
| Gross Patient Service Revenue | \$23,773,803 | \$25,119,412 |
| Less: Contractual Adjustments | <u>(11,389,236)</u> | <u>(12,443,016)</u> |
| Net Patient Service Revenue Before Uncompensated Care | 12,384,567 | 12,676,396 |
| Uncompensated Care Income | <u>450,692</u> | <u>407,872</u> |
| Net Patient Service Revenue | <u><u>\$12,835,259</u></u> | <u><u>\$13,084,268</u></u> |

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

| | <u>06/30/11</u> | <u>Additions</u> | <u>Deletions</u> | <u>06/30/12</u> |
|--------------------------------------|---------------------------|--------------------------|----------------------------|---------------------------|
| Land | \$ 121,857 | \$ - | \$ - | \$ 121,857 |
| Land Improvements | 290,454 | - | - | 290,454 |
| Buildings | 4,939,360 | - | - | 4,939,360 |
| Fixed Equipment | 319,594 | 5,497 | - | 325,091 |
| Major Movables | <u>2,370,418</u> | <u>426,417</u> | <u>(193,404)</u> | <u>2,603,431</u> |
| Total Cost | 8,041,683 | 431,914 | (193,404) | 8,280,193 |
| Less: Accumulated Depreciation | <u>4,702,450</u> | <u>533,549</u> | <u>169,999</u> | <u>5,066,000</u> |
| | 3,339,233 | (101,635) | (23,405) | 3,214,193 |
| Construction in Progress | <u>-</u> | <u>286,148</u> | <u>-</u> | <u>286,148</u> |
| Net Property, Plant and Equipment | <u><u>\$3,339,233</u></u> | <u><u>\$ 184,513</u></u> | <u><u>\$ (23,405)</u></u> | <u><u>\$3,500,341</u></u> |

Depreciation expense for the fiscal years ended June 30, 2012 and 2011 was \$533,549 and \$537,062, respectively.

The cost of the total assets under capital lease was \$560,772 and \$216,308 with total related amortization expense of \$83,450 and \$67,070 for the year ended June 30, 2012 and 2011, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 5: LONG-TERM DEBT

Long-term debt at June 30, 2012, consisted of the following:

| | |
|---|----------------------------|
| Revenue bonds, dated March 15, 2004 bearing interest of 4.5% maturing March 15, 2024, with interest payable monthly, collateralized by the Hospital's gross receipts | \$ 765,579 |
| Notes Payable, dated May 1, 2008, bearing interest of 6.00% maturing April 1, 2018, with interest and principal due monthly | 120,431 |
| Capital Lease Payable, dated October 20, 2011, bearing interest of 1.23%, maturing December 8, 2016, with interest and principal due monthly, collateralized by CT Scan equipment | 305,045 |
| Capital Lease Payable, dated October 7, 2010, bearing no interest, maturing December 1, 2015, with principal due monthly collateralized by ultrasound equipment | 100,926 |
| Capital Lease Payable, dated December 1, 2010, bearing no interest, maturing December 1, 2015, with principal due monthly collateralized by hematology equipment | <u>50,491</u> |
| | 1,342,472 |
| Less: Current Portion | <u>179,504</u> |
| Long-Term Portion | <u><u>\$ 1,162,968</u></u> |

A summary of debt activity for the year ended is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Revenue Bonds 2004 (USDA HVAC) | \$ 814,073 | \$ - | \$ 48,494 | \$ 765,579 | \$ 50,676 |
| Rural Health Building | 137,335 | - | 16,904 | 120,431 | 17,942 |
| Lease Payable - CT Scan | - | 344,463 | 39,418 | 305,045 | 67,624 |
| Lease Payable - Ultrasound | 129,761 | - | 28,835 | 100,926 | 28,836 |
| Lease Payable - Baytree | 64,915 | - | 14,424 | 50,491 | 14,426 |
| Total | <u>\$1,146,084</u> | <u>\$ 344,463</u> | <u>\$ 148,075</u> | <u>\$1,342,472</u> | <u>\$ 179,504</u> |

Scheduled repayments on long-term debt are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------|-------------------|---------------------|
| 2013 | \$ 179,504 | \$ 44,562 | 224,066 |
| 2014 | 183,728 | 40,338 | 224,066 |
| 2015 | 188,133 | 35,933 | 224,066 |
| 2016 | 171,097 | 31,338 | 202,435 |
| 2017 | 112,719 | 26,671 | 139,390 |
| 2018-2022 | 364,436 | 80,651 | 445,087 |
| 2023-2024 | <u>142,855</u> | <u>9,316</u> | <u>152,171</u> |
| Total | <u>\$1,342,472</u> | <u>\$ 268,809</u> | <u>\$ 1,611,281</u> |

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 6: OPERATING LEASES

Total rental expense for June 30, 2012 and 2011, respectively, for all operating leases was \$122,420 and \$202,150.

NOTE 7: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to an additional plan for full-time employees who work 64 or more hours per pay period. If an employee elects to participate, the employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$91,867 and \$85,013 for the year ended June 30, 2012 and 2011, respectively.

NOTE 8: ASSETS LIMITED AS TO USE

On November 12, 1968, the Hospital accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. This indenture imposed restrictions on the Hospital. A summary of cash restrictions follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

(1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.

(2) A cash transfer to the 1968 Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.

(3) A cash transfer to the 1968 Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.

(4) A cash transfer to the 2004 Hospital Revenue Bond and Interest Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds. During the first year the Bonds are outstanding, a monthly sum equal to one-twelfth of the interest due on the first payment date on the Bonds shall be transferred.

(5) A cash transfer to the 2004 Hospital Revenue Bond Reserve Fund by the 20th day of each month, commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. The transfer will continue until such time as there has been accumulated a sum equal to the highest principal and interest falling due in any year.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 8: ASSETS LIMITED AS TO USE (cont)

(6)A cash transfer to the 2004 Hospital Depreciation and Contingency Fund by the 20th day of each month commencing with the month following completion of and acceptance of the improvements financed with the proceeds of the Bonds, a sum at least equal to five percent of the amount to be paid into the Sinking Fund. When a sum equal to the Debt Service Requirements has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall be increased to an amount equal to 10% of the amount being paid monthly into the Sinking Fund, and said payments are to continue over the life of the Bonds.

It is the contention of management that the accounting requirements of the revenue bond issues were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2012 and 2011 are set forth in the following table.

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|
| Internally designated for Capital Acquisitions | \$ 23,604 | \$ 23,604 |
| Under Indenture Agreement | <u>114,976</u> | <u>106,021</u> |
| Total Assets Limited as to Use | <u>\$ 138,580</u> | <u>\$ 129,625</u> |

NOTE 9: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consists of the following:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------|---------------------|---------------------|
| Current assets | \$ 1,837,934 | \$ 2,060,434 |
| Assets whose use is limited | | |
| By board | 23,604 | 23,604 |
| By bond indenture | <u>114,976</u> | <u>106,021</u> |
| Total | <u>\$ 1,976,514</u> | <u>\$ 2,190,059</u> |

Total interest paid by the Hospital was \$45,228 and \$43,037 for the fiscal year ending 2012 and 2011, respectively.

NOTE 10: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$35,000 or aggregate annual claims in excess of \$1,000,000. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 11: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2012 and 2011, is as follows:

| | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
| Medicare | 40% | 48% |
| Medicaid | 16 | 7 |
| Commercial and other third-party payors | 15 | 13 |
| All other | 29 | 32 |
| | <u>100%</u> | <u>100%</u> |

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments are as follows:

| | <u>2012</u> | | <u>2011</u> | |
|---|--------------------|-------------|--------------------|-------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | \$1,976,514 | \$1,976,514 | \$2,190,059 | \$2,190,059 |
| Accounts payable and accrued expenses | \$ 966,528 | \$ 966,528 | \$ 859,273 | \$ 859,273 |
| Estimated receivable from third-party payors | \$ 777,824 | \$ 777,824 | \$ 83,943 | \$ 83,943 |
| Estimated third-party payor settlements | \$ 104,854 | \$ 104,854 | \$ 482,819 | \$ 482,819 |
| Long-term debt | \$1,342,472 | \$1,342,472 | \$1,146,084 | \$1,146,084 |

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At June 30, 2012 and 2011, the Hospital had bank balances as follows:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Insured (FDIC) | \$ 500,000 | \$ 500,000 |
| Collateralized by securities held by the financial institution's trust department in the Hospital's name | <u>3,617,523</u> | <u>2,244,873</u> |
| Total Collateral for Cash Balances | <u>\$ 4,117,523</u> | <u>\$ 2,744,873</u> |
| Carrying value | <u>\$ 2,135,396</u> | <u>\$ 2,448,289</u> |

NOTE 14: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 15: AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization. Thus far, the joint venture has experienced profits and distributed the hospital's proportional share to the hospital each year. For more information on joint venture financial statements, contact Hospital administration.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 17: NET ASSETS

Net assets for the years ended June 30, 2012 and 2011 are as follows:

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Invested in capital assets, net of related debt | \$ 2,157,869 | \$ 2,193,149 |
| Restricted for: | | |
| Capital Projects (expendable) | 23,604 | 23,604 |
| Bond Indenture (expendable) | 114,976 | 106,021 |
| Unrestricted | <u>3,354,686</u> | <u>2,799,443</u> |
| Total Net Assets | <u>\$ 5,651,135</u> | <u>\$ 5,122,029</u> |

Note 18: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$34,158 and \$40,776 for the years ended June 30, 2012 and 2011 respectively.

Management estimates that approximately \$20,153 and \$22,834 of costs were related to charity care for the years ended June 30, 2012 and 2011 respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

Note 19: SUBSEQUENT FINDINGS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 19, 2012 the date the financial statements were available to be issued.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED JUNE 30,

INPATIENT SERVICE REVENUES

2012

2011

Daily Patient Services:

| | | |
|---------------------|------------|------------|
| Adult and Pediatric | \$ 324,881 | \$ 455,289 |
| Psychiatric Unit | 2,157,975 | 2,426,644 |
| Swing-Bed | 23,512 | 46,753 |
| Total | 2,506,368 | 2,928,686 |

Other Nursing Services:

| | | |
|-------------------|--------|--------|
| Emergency Service | 19,100 | 14,193 |
| Total | 19,100 | 14,193 |

Other Professional Services:

| | | |
|---------------------|-----------|-----------|
| Laboratory | 597,967 | 651,230 |
| EKG | 24,750 | 41,102 |
| Blood | 5,919 | 9,557 |
| Radiology | 330,941 | 326,014 |
| Pharmacy | 656,137 | 731,244 |
| Intravenous Therapy | 900 | 1,346 |
| Inhalation Therapy | 280,625 | 238,138 |
| Physical Therapy | 8,683 | 9,333 |
| Professional Fees | 286,121 | 344,520 |
| | 2,192,043 | 2,352,484 |

TOTAL INPATIENT SERVICE REVENUE

4,717,511

5,295,363

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED JUNE 30,

OUTPATIENT SERVICE REVENUES

2012

2011

Other Nursing Services:

Emergency Service

3,320,483

3,031,577

Hospitalist

1,815

-

Observation

448,795

467,929

Central Supplies

145

838

Total

3,771,238

3,500,344

Other Professional Services:

Laboratory

4,150,378

3,878,211

EKG

43,109

155,753

Blood

18,065

20,768

Radiology

3,850,296

3,767,998

Pharmacy

342,779

303,694

Cardiac Rehab

60,031

124,255

Intravenous Therapy

1,838

2,757

Inhalation Therapy

223,838

136,228

Physical Therapy

1,120

790

Intensive Psychiatric Therapy

3,616,541

4,951,060

Wound Care

1,294,349

1,119,203

Clinics

1,483,367

1,650,648

Professional Fees

199,343

212,340

Total

15,285,054

16,323,705

TOTAL OUPATIENT SERVICE REVENUE

19,056,292

19,824,049

GROSS PATIENT SERVICE REVENUE

23,773,803

25,119,412

Less: Contractual Adjustments

11,389,236

12,443,016

Net Patient Service Revenue before

Medicaid Uncompensated Care

12,384,567

12,676,396

Medicaid Uncompensated Care

450,692

407,872

NET PATIENT SERVICE REVENUE

\$ 12,835,259

\$ 13,084,268

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30,

| | <u>2012</u> | <u>2011</u> |
|--------------------------------|-------------------|-------------------|
| Cafeteria and Vendor sales | \$ 30,965 | \$ 30,814 |
| Rental Income | 119,500 | 119,300 |
| Joint Venture | 13,216 | 160,962 |
| Pharmacy Sales - Employees | 28,874 | 27,541 |
| Insurance Claim Reimbursement | 107,112 | 3,000 |
| Other | 164,309 | 146,520 |
| TOTAL OTHER OPERATING REVENUES | <u>\$ 463,976</u> | <u>\$ 488,137</u> |

HOSPITAL SERVICE DISTRICT NO. 1

PARISH OF AVOYELLES

BUNKIE, LOUISIANA

SCHEDULE OF PROFESSIONAL SERVICES

FOR THE YEARS ENDED JUNE 30,

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|---------------------|---------------------|
| Salaries and Fees: | | |
| Nursing | \$ 530,892 | \$ 526,610 |
| Central supply | 44,477 | 41,614 |
| Emergency room | 482,809 | 480,635 |
| Laboratory | 274,945 | 289,442 |
| Radiology | 289,946 | 283,685 |
| Clinics | 1,269,272 | 1,387,154 |
| Geriatric Psychiatry | - | - |
| Inhalation Therapy | 150,213 | 142,106 |
| PT/OT/ST | 1,157 | 562 |
| Partial Hospitalization Program | 521,631 | 801,811 |
| Other | 100,575 | 124,613 |
| Total Salaries and Fees | <u>3,665,917</u> | <u>4,078,232</u> |
| Supplies and Other Expenses: | | |
| Nursing | 66,668 | 55,679 |
| Central Supply | 54,332 | 62,104 |
| Emergency Room | 864,520 | 831,191 |
| Laboratory | 429,967 | 406,247 |
| Radiology | 100,040 | 64,456 |
| Pharmacy | 585,843 | 574,262 |
| Inhalation Therapy | 26,472 | 23,911 |
| IOP | 455,689 | 283,429 |
| PT/OT/ST | 3,596 | 4,157 |
| Wound Care | 426,243 | 374,664 |
| Clinics | 116,575 | 145,221 |
| Geriatric Psychiatry | 842,258 | 977,156 |
| Partial Hospitalization Program | - | 9,482 |
| Other | 24,424 | 68,502 |
| Total Supplies and Other Expenses | <u>3,996,627</u> | <u>3,880,461</u> |
| TOTAL PROFESSIONAL SERVICES | <u>\$ 7,662,544</u> | <u>\$ 7,958,693</u> |

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED JUNE 30,

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| Salaries and Fees: | | |
| Administrative | \$ 1,058,083 | \$ 920,020 |
| Maintenance | 205,715 | 198,209 |
| Housekeeping | 107,936 | 96,416 |
| Medical Records | 147,415 | 151,431 |
| Dietary | 117,914 | 117,332 |
| Total Salaries and Fees | <u>1,637,063</u> | <u>1,483,408</u> |
| Supplies and Other Expenses: | | |
| Administrative | 1,957,622 | 1,708,207 |
| Maintenance | 496,860 | 638,979 |
| Housekeeping | 25,225 | 27,873 |
| Medical Records | 9,627 | 9,852 |
| Dietary | 129,194 | 123,928 |
| Total Supplies and Other Expenses | <u>2,618,528</u> | <u>2,508,839</u> |
| TOTAL GENERAL AND ADMINISTRATIVE SERVICES | <u>\$ 4,255,591</u> | <u>\$ 3,992,247</u> |

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

JUNE 30,

| | <u>2012</u> | <u>2011</u> |
|------------------------|-------------|-------------|
| Judge James Mixon | \$ - | \$ - |
| Charles T. Descant | \$ - | \$ - |
| Dr. Olivier La Prairie | \$ - | \$ - |
| Harry Normand | \$ - | \$ - |
| Barbara Jones | \$ 360 | \$ 160 |
| Nancy Carruth | \$ - | \$ - |
| Craig Foster | \$ - | \$ - |



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the financial statements of Hospital Service District No.1 Parish of Avoyelles (The Hospital) a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 19, 2012.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Hospital is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of the hospital as of and for the year ended June 30, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying

"Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We did not note any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the Hospital Service District No. 1 Parish of Avoyelles and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

November 19, 2012

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

We have audited the financial statements of Avoyelles Parish Hospital Service District No. 1, a component unit of the Avoyelles Parish Police Jury, State of Louisiana, as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 19, 2012.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of June 30, 2012, and 2011 resulted in unqualified opinions.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control:

| | |
|---------------------------|-----|
| Material Weaknesses: | Yes |
| Significant Deficiencies: | Yes |

Compliance:

| | |
|---|----|
| Compliance Material to Financial Statements | No |
|---|----|

Section II: Financial Statement Findings

Finding 2012-1 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the GAAP financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also continue outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: The hospital at this time will continue to outsource to our independent auditors. The accounting staff will attend education courses to further their knowledge of General Accounting Principles when appropriate. In addition, the hospital has increased its upper management oversight of the financial statement preparation to ensure accurate statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

Finding 2012-2 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions.

Management Response: The hospital has segregated as many duties as possible and is limited due to its small size. To further segregate duties would require the hiring of additional staff which would be a financial burden to the hospital; however, upper management has increased its oversight to ensure proper internal control.

Finding 2012-3 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal year ended June 30, 2012 had material effects on the financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The proposed journal entries should be reviewed by knowledgeable hospital personnel and approved before posting.

Management Response: Hospital personnel performing journal entries will continue to gain knowledge through acquiring continuing education courses annually. Management will ensure proper internal control system through monitoring according to Generally Accepted Accounting Principles.

Section III: Management Letter Items

There are no management letter items at June 30, 2012.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

Finding 2011-1 Financial Statement Preparation

The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the GAAP financial statements.

Status: Unresolved. See 2012-1.

Finding 2011-2 Segregation of Duties

The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Unresolved. See 2012-2.